Fifth Edition

PUBLIC BUDGETING IN AMERICA

Robert W. Smith
Thomas D. Lynch

Studies program, and Stacey Davenport and Courtenay Ryals of the Department of Political Science at Clemson University.

Finally, this text would not be possible without the unwavering support and commitment of our wives and families. A loving thanks goes to Kathleen C. Gallagher-Smith and Keegan and Nolan Smith. Another loving thanks goes to Cynthia E. Lynch for her tolerance and patience as this edition was prepared.

Robert W. Smith, Ph.D.
Thomas D. Lynch, Ph.D.

1

BUDGET FORMATS AND PREPARATION

This chapter addresses the topics of budget formats, building the budget, budget reviews, and legislative adoption. It covers the following:

- why budget formats are significant;
- the various budget formats and how they apply to general policy, budget balancing, and the improvement of government management; the role and work of the central budget office in initiating the process of building the budget;
- the central role and tasks of the agency in preparing the budget;
- the importance of the steps associated with executive and legislative reviews of the budget;
- the use of executive budget hearings in the review process;
- the ingredients and preparation of the executive budget document; the congressional budget timetable;
- the legislature's deliberative process on the budget; and
- the formats used in legislative adoptions of budgets.

BUDGET FORMAT

The Important Means

In 1997, Pettijohn and Grizzle demonstrated that budget format and process do influence the outcome of the process. Budget formats define the readers' reality and channel the readers' attention and thought processes. In 1982, Edward Lehan said, "People tend to think in terms of what is put in front of them. This axiom of human behavior plays a heavy role in the budgetary process." For example, line-item budgeting (see Exhibit 1–1) tends to take decision makers' attention away from policy issues and forces them to consider expenditure items. At the local level of government in the United States, about 51 percent of the cities use a line-item budget format. Thus, most people think about the correctness of the size of the various expenditure items rather than the larger issues of the correctness of the programs and policies associated with those items. For exercising control, line-item budgeting is very useful—especially for controlling employees tightly in an agency. The line-item format stresses accountability in terms of what organizations spend their money on, but it does not address the larger question of what the government should accomplish with its money. By

EXHIBIT 1–1 Line-Item Budget Format: Code Enforcement

	PAST YEAR	CURRENT YEAR	BUDGET YEAR	BY-CY
Personal Services	$49,000	$52,000	$60,000	$8,000
Contractual Services	6,000	5,900	6,590	690
Supplies	576	1,200	1,606	406
Total	55,576	59,100	68,196	9,096

Source: Thomas D. Lynch and Cynthia E. Lynch. "The Road to Entrepreneurial Budgeting," *Journal of Public Budgeting, Accounting, and Financial Management*, 9, 1 (Spring 1997), 161–180.

assuring the government agency spends money on only acceptable expenditures, line-item budgeting achieves a type of accountability, but it shows little faith in the manager's ability to direct and ultimately to achieve program objectives. By adding the auditing process to line-item budgeting, government management focuses on expenditures, thus creating a type of accountability that confronts corruption, helps discourage public employees deviating from strict instructions, and enhances tighter control over the employees' behavior. For these reasons, most governments utilize some form of line-item budgeting at some level within their organization.

INFORMATION TO NOTE

The analysts can make each line item represent a large category or a very detailed one such as a particular person's salary and fringe benefits. Thus, the list of line items can be very short or very long, but usually the list is very long. This type of budgeting is almost always used during the current year and often used in making budget year decisions. The analysts intend the columns to represent the years that are important for the decision makers to know. Usually, the analysts show the format for each organizational unit or subunit. Thus, there are at least as many tables as there are units in the whole organization. In this case, the subunit is code enforcement in a housing department. Notice that the analyst can add the numbers from other subunits to give a total for the unit and then the analyst can add the units together to give total line-item expenditures for larger groups such as a department or the government as a whole.

Notice the format is essentially a spreadsheet that an analyst can link to other spreadsheets, thus easily aggregating the information to higher levels in a pyramid organization. The years shown can vary, but those in Exhibit 1–1 are a common listing. Other columns can include agency budget year (BY) recommendation, city manager recommendation, BY + 1, BY + 2, and so on. For budget year decisions, the BY-current year (BY-CY) column becomes important for the dominant incremental approach to budgeting, and the justifications following the table in a normal budget format would explain the increases and sometimes the decreases. Usually, the budget justifications are very short, such as one or two sentences.

In the twentieth century, policy makers considered rational decision making good management, and policy making and the line-item approach frustrated them. Planning-programming budgeting, zero-base budgeting, and target-base budgeting (TBB) are variations of rational budget making that use variations of performance budgeting. Chapter 3 explains each of them. The line-item budget was good in terms of accountability but did not help make better rational decisions. Exhibit 1–2 illustrates program budgeting where the format focuses decision makers on planning and rational analysis. At the local level, about 10 percent of the jurisdictions use program budgeting. At the state level, forty-seven states use some form of program budgeting. With that focus, executive management, with its strong top-down direction and stress on efficiency and economy in administration, apparently becomes possible. With program budgeting, the budget became a tool to achieve effective operational direction and direct optimal efficiency. Incrementalists can easily accommodate to program budgeting because they can use the same columns as used in line-item budgeting, but with this approach their mental focus shifts from line-item or object expenditures to major unit activities. This approach is more properly associated with rational budgeting because the use of programs is almost absolutely necessary to achieve rational analysis.

Analysts can identify many programs in a given unit, but they are wiser to identify only a few that reflect the activities of the unit. The analyst is usually wiser to fold staff and support activities of the unit into the unit's major activity programs. Budget analysts use this budgeting approach primarily in the budget year for larger policy decisions. In larger organizations, this approach is useful also in the current year because of the need to delegate responsibility significantly. The analyst should always crosswalk (explained in Chapter 5) this format with the line-item budget format for at least current year purposes because the accounting department must use line-item categories as the state law requires it. This crosswalk, which is a simple matrix table for a given year with the rows representing line items and the columns representing programs, permits the analyst to see the interrelationship of the two budget formats. Analysts use this format for units and subunits, but the programs selected need to reflect the larger whole government program structure decided by the central budget office or legislature. One is wise to avoid using a program (for example, Plan Examination) across unit and subunit lines so that higher policy makers can always fix responsibility for performance or lack of performance on a specific unit and its managers. Notice again that the analysts can vary the columns depending on policy maker decision-making needs and that interlocking spreadsheets

EXHIBIT 1–2 Program Budget Format: Code Enforcement

	PAST YEAR	CURRENT YEAR	BUDGET YEAR	BY-CY
Plan Examination	$10,000	$11,333	$12,331	$998
Inspection	34,576	34,888	40,339	5,451
Education	11,000	12,879	15,526	2,647
Total	55,576	59,100	68,196	9,096

are very useful, especially to sum up the subunit data to higher levels in the government. Again, the policy makers can use the BY-CY column to more easily make their incremental decisions. In such an approach, analysts write the budget justifications in the budget itself near the table and addresses in the justification the BY-CY amount for each program. If the policy makers prefer a rational approach to decision making, then the analyst does not use this column and she or he can write the justifications de nova in an approach called zero-base budgeting by only addressing the BY column. If the analyst uses rational analysis, then she or he can use benefit cost ratios, marginal rates of return, or some other reasoning to justify the amount selected in the BY column for each program. However, the latter rational justifications are possible only if budget analysts add some type of performance information addressed to program outcomes or outputs to the justification material.

Program budgeting and performance budgeting (see Exhibit 1–3) assume the modernist approach of philosophers like Jeremy Bentham (see Chapters 2 and 3) that rationality is not only possible in human decision making but also desirable. This approach allows decision makers to focus their policy debates among themselves on their policy differences and choices among alternative selections of programs and program levels of spending. Program budgeting is therefore a useful tool for strategic planning as it focuses the human mind on policy issues, and professional program analysts can bring added value to the policy makers by helping them make more informed policy decisions. Built on the program budgeting tradition of desiring greater rationality in public policy making, the performance budgeting takes the programs in program budgeting and adds the use of specific performance measures reflecting program outputs, program outcomes, or both. Chapter 5 defines the former as the products and services produced by the programs and the latter as the impacts of those products or those outputs on individuals or the larger society served by the programs. Today, professionals call the latter type performance budgeting and sometimes outcome budgeting. With performance budgeting, analysts and decision makers focus on questions of efficiency and effectiveness with the use of outputs focusing on efficiency and outcomes focusing on effectiveness. The arguments about the impossibility of using rationality in budgeting particularly apply to the various forms of performance budgeting.

Which budget format (line-item, program, or performance) is the best? Given that the format does influence the decision-making focus, then the selection depends on the analyst's desired decision-making environment. What mind-set does the analyst wish to create? The three major concerns of a budget officer are (1) to raise the level of debate among policy makers and to observe the reactions of various stakeholders in the budget process for future cues, (2) to ensure that the budget office maintains policy control for the policy makers, and (3) to improve the quality of management in the government. Given these objectives, the choice of format can still vary substantially, depending on what the analyst wishes to stress in a given political and managerial context. However, the budget analyst may not be in a position to determine the format because it is often set by statute or by senior budget officials in the government.

The example in Exhibit 1–3 shows the CY and BY, but an analyst can add other super columns. For example, she could show a CY-BY column, prior year (PY) column, and so on. In this exhibit, the critical added information is performance data that reflect the outputs of the program. For example, the output of the education program

EXHIBIT 1–3 Performance Budget Format: Code Enforcement

	Current Year			Budget Year		
	OUTPUT	INPUT	OUTPUT (Unit Costs)	INPUT	OUTPUT	OUTPUT (Unit Costs)
Plan Exams	$658	$11,333	$17.22	$744	$12,331	$16.57
Inspections	$18,765	$34,888	$1.86	$19,370	$40,339	$2.08
Education (graduates)	$11,300	$12,879	$1.14	$12,335	$15,526	$1.26
Total	$59,100			$68,196		

Note the categories are the same as in the program format.

Source: Thomas D. Lynch and Cynthia E. Lynch. "The Road to Entrepreneurial Budgeting." *Journal of Public Budgeting, Accounting, and Financial Management*, 9, 1 (Spring 1997), 161–180.

is the number of graduates. Ideally, the performance indicator selected will have a quantitative and qualitative aspect. For example, in this case, the analyst assumes the graduates matriculate with a certain level of expertise.

An analyst could also add to the table outcome performance data to reflect the impact of the program upon the society or individuals in society. An example of benefit to society would be the number of jobs currently being filled by master's level graduates instead of lower educational level graduates. An example of benefits to individuals would be the increased income of persons after attaining their graduate education. Analysts find such information difficult to obtain and debatable in terms of correctness. Nonetheless, analysts must appreciate that program outcomes are very powerful analytical information for policy makers. Program output performance measures are usually easier to define and obtain.

A common mistake in selecting performance measures is to use not output or even outcome data but instead process data. Such data tell managers the daily functions that employees accomplish such as the number of clients seen, calls answered, and forms processed. If policy makers and analysts confuse process, output, and outcome data, then they can misuse the information and arrive at inappropriate management and policy decisions. As with program budgeting, analysts should crosswalk this format with the line-item format. With the new Government Accounting Standards Board policy on the use of performance measures, crosswalks become essential.

Fortunately, the budget officer need not select only one budget format because he or she also works with an operating budget, a capital budget, and various other documents in the budget process. For example, the submitted budget from the chief executive could be an outcome budget; the current year operating budget given to agencies could be a line-item budget; and the capital budget for the budget year could be a zero-based budget. In addition, the budget officer could present supporting materials based on a rational analysis such as cost-benefit analysis. Thus, some flexibility exists in the means to accomplish the objectives. This chapter addresses only the format of the chief executive's budget in order to simplify the explanation of budget formats.

In an excellent book entitled *Effective Budgetary Presentations: The Cutting Edge,* compiled by Girard Miller, the Government Finance Officers Association presents examples of the common components of local government budgets. These components are the budget cover, table of contents, organization charts, transmittal letter, financial summaries, goals and objectives, revenues, departmental and activity budgets, program budget summaries, performance measurements, enterprise and internal service funds, capital outlay, special analyses, accompanying documents, readers' guides, budgetary procedures, budget preparation instructions, and legislative adoption. Students should review this unique collection of samples to understand some of the format possibilities available to a budget office.

In summary, each format developed in the twentieth century channels thought differently. Line-item budgeting tends to take decision makers away from policy issues and to focus attention on expenditure savings. Program budgeting tends to focus attention on policy differences and on choices among policy options. Performance budgeting places the focus on questions of efficiency, effectiveness, or both. Analysts can use all three formats in incremental budgeting, but rational budgeting needs either the program or performance formats.

Two surveys (one in 1986 and the other in 1996) examine local government budget practitioners drawn from the active membership roster of the Government Finance Officers Association (GFOA). They asked what type of budget format each jurisdiction uses, used five years ago, and expected to use five years from the survey. The formats cited were line item, performance, program, zero-base/target-base, and hybrid. In 1986 and 1996, the line-item format predominated with 83 and 86 percent, respectively, either using it exclusively (58 and 51 percent) or in a hybrid arrangement (25 and 35 percent). Both surveys showed a trend away from the exclusive reliance on the line-item format toward a hybrid format. In the late 1990s, agency managers, legislators, stakeholders, and citizens use the products of performance-based systems. At the state level, Texas, Oregon, Virginia, and Florida led the way. Phoenix, Arizona, and Charlotte, North Carolina, were early pioneers at the local level of government.

Cheryle A. Broome identified the following lessons and factors after examining performance-based budgeting in those key reform states:

- Government must see performance budgeting as a solution to their decision-making needs and craft the system to address those needs.
- Reformers need to spend time visualizing how they will use the performance-based budgeting system.
- Reformers must recognize that they must approach a performance-based system with a desire to learn about their organizations.
- Reformers need to realize the performance-based budget can only add value to public policy decision making but it cannot transform the essential political and human nature of budget decision making.
- Performance-based budgeting only works when key political leaders and stakeholders use the performance information to make their decisions.
- The process of developing measures is difficult but reformers can make clear progress.
- Implementing the performance-based budget reform requires time and deliberate progress building on succeeding successes.
- There is no "off-the-shelf" plan that reformers can import, as each reformer must tailor the performance-based system to their government.

Distinguished Budgets

In 1994, the Government Finance Officers Association (GFOA) established an annual award program for Distinguished Budget Presentations. The procedures followed in the awards program are similar to those in the GFOA Certificate of Conformance in Financial Reporting program. Interested local governments send their last annual budget, supporting material, and an entry fee to the GFOA. At least three GFOA member reviewers examine each, using evaluation criteria that stress the budget as a policy document, an operations guide, a financial plan, and a communication device. GFOA recognizes the budget as a policy-setting instrument and wishes to make sure that officials explicitly make policy. The criteria call for general government and specific unit statements of policy, which can be in the form of goals and objectives, mission statements, or strategies. The budget document must explain any change in policy since the last annual budget document. Thus, the GFOA awards programs adopt an incremental approach to budgeting. Ideally, the budget documents should explain the rationale for the policy as well as the policy implementation and monitoring process. In addition, the criteria demand that the budget document or supporting material explains the budget development process, including its amendment process.

GFOA realizes that the budget is also an important operational guide during the current year to all the units in government. Thus, clarity of purpose in terms useful to bureaucratic units is imperative. The budget document must tie budget programs and line items to specific government organizational units. The criteria call for stating the workforce of each unit in terms of the organization chart and for presenting the information for both the current and budget years. The budget document should explain the criteria used in capital spending decisions, including the effects on daily operations and operating expenditures. In addition, the budget document should include specific objectives, performance targets, and important deadlines for department heads. The budget must provide a means to measure and permit accountability for performance or lack of performance in government.

GFOA recognizes that the budget document must define the technical relationship of financial structure to the operations of government. Thus, the document must explain the following technical topics in a manner understandable to the lay reader: the major revenue sources; the bases for forecasting, including predictions of events or factors that will influence forecasts; the organization of funds used by the government; the end-of-the-year projections of financial conditions; a capital financing element (a separate capital budget is possible for larger governments); a consolidated picture of operations and financial activity; the debt management issues; and the accountability basis used by the government.

To GFOA, communication to the public is extremely important. The image of government is often not positive, in part because the public does not understand what government does for it. Given that the budget is usually the single best comprehensive presentation of a government plan to use its tax resources, the budget officer must communicate those policies in a manner in which the general public can understand government's programs, policies, and financial needs. To accomplish the goal of better communication, the GFOA criteria call for the following: a draft version of the budget prior to government adoption; clear summary information on the budget, covering topics of interest so that the media and the public can understand key points such as the size of programs, the revenue sources, and the policy changes of concern to the public; and communication devices that aid in understanding large complex sets of information. These devices include a budget message, a table of contents, a glossary of terms, an identification of the basic units in the budget, charts and graphs with narrative explanations, key assumptions used in preparing the budget, a cross-index, and supplemental information, including statistical tables.

The evaluation criteria define "a good budget document" and largely imply what is a good budget process. The criteria do not call for a particular approach to budgeting such as ZBB (explained in Chapter 3), but they do require data presentations that allow incremental decision making and also encourage the use of program categories and performance measures. Thus, the criteria do reflect some definite normative guidance on what GFOA considers important in a budget document.

GFOA and local governments take the award program for Distinguished Budget Presentations quite seriously, but as time goes on local governments are more easily meeting once demanding standards. Of the first eighty-one governments submitting their budgets for review, fifty-one (63 percent) received the award. Given that GFOA does not require governments to participate and few truly unprofessional governments would participate, this early rate of failure was significant. The first city to receive an "especially notable" award was Dayton, Ohio, and Dayton remains among the best budget offices in the world. Since Dayton got the award, many more cities have joined the ranks of the best. The governments that received a budget award from GFOA are justifiably proud of their professional achievement. Not only does the budget award program define "good budgeting," it also serves as an important stimulant for improving the quality of local government budgeting in general.

Robert C. Rickards examined Texas cities and counties using the GFOA budget criteria. He used two reviewers who looked at sixty-nine cities and eighty-six counties in Texas. They applied the GFOA criteria, concluding that Texas cities on average had "acceptable" budget documents but Texas counties had "very weak" presentations. This is a common pattern, as cities tend to have better management practices than do counties or special districts. Improvements in budgeting are not likely to come from longer budget presentations but from more professional efforts. Providing a glossary of terms, specifying the presentation's accounting basis, explaining the budget process and amendment procedure, discussing capital spending impacts and debt management issues, and providing draft budgets to the public are some of the common budget improvements that cities can easily accomplish. The biggest common shortcoming was the readability of the budget presentations—with many of them resembling accounting tables unintelligible to anyone except the persons preparing them. Beyond such common sense recommendations, the author noted that governments could improve budget presentations by emulating good budget presentations of other governments and by following the professional recommendations that exist in the literature.

Ends Defining Means

From a format design perspective, the desired ends should influence what format or formats an analyst uses. A tendency of budget presenters is to apply a standard approach for similar budget situations, and this is desirable because it permits comparisons. Nevertheless, various programs do deserve individual presentations in order to highlight the most useful information for decision-making purposes. Format designers should decide first on the general format and then on extra information useful for specific programs.

Analysts should weigh three common concerns when deciding on a format:

- How can the budget help decision makers deal with general policy matters?
- How should the budget be balanced?
- How can decisions of policy makers be used to improve the quality of government management?

Four common difficult situations associated with helping elected decision makers formulate policy are as follows:

- Situation one: trying to get elected officials to focus on the major policy issues rather than on insignificant and time-consuming issues that make relatively little difference to the future of the community
- Situation two: fostering a decision-making environment in which budget analysts reduce counterproductive political tensions so that policy makers can make important and timely policy
- Situation three: sensitizing decision makers to the future-year implications of their decisions
- Situation four: achieving awareness that budget decisions do relate to specific government actions that affect individuals and society

Analysts handle the first situation with program budgeting and formalized budget approaches like PPB and ZBB (explained in Chapter 3). The latter is especially useful as a means to inform novice political executives of the policy implications of budget decisions. In addition, the narrative accompanying the budget document, usually in the form of a formal budget message by the executive, also highlights policies that decision makers should focus on. Aaron Wildavsky argued line-item budgeting—which permits more face-saving because it focuses attention on relatively unemotional subjects such as salaries, travel, and supplies—best handles the second situation. Requiring revenue and expenditure forecasts possibly five or more years beyond the BY or requiring a financial program schedule addresses the third situation. Using outcome budgeting handles the fourth situation. Dealing with the challenge of balanced budgets commonly requires the following: getting both policy makers and government agencies to accept the existence resource constraints, helping policy makers justify to the public the need for more government resources (for example, higher property taxes), and shifting political pressure from the more controversial revenue sources to the more acceptable revenue sources.

The TBB approach (explained in Chapter 3) best suits the first situation, which assumes a given revenue level and works from that assumption. Ideally, with TBB, agencies will not consider budget decisions beyond the arbitrarily established limit. The limitation of such an approach is that policy makers arbitrarily establish amounts of money that do not eliminate government problems.

The second situation occurs when policy makers decide that government needs more taxes, but the public is not yet supportive of that policy position. Budget officers can prepare budgets to stress the need, to show how government action can resolve that need, and to demonstrate the necessity for more money if government is to resolve that need. Program budgeting is particularly useful if the format combines with appropriate measures of program services and social needs. The third situation is more complex. Governments receive their revenues from various sources, of which some are more politically sensitive at various times than others. One way to help deal with that political reality is to minimize pressure on the politically sensitive revenue sources by shifting as much cost as possible to less sensitive revenue sources. For example, if property tax is a hot political issue, then budgets can increase user fee revenues as much as possible to cover expenses. The budget format can show, for each expense item, the source of revenue. This would permit the probing inquiries, which would seek to shift the burden to the least politically sensitive revenue source.

Striving to improve government management usually includes the following:

- Stressing efficiency and productivity measures in government management
- Establishing top level control procedures in order to ensure that employees carry out policy and the organization minimizes any fraud
- Establishing proper review practices to minimize overhead costs
- Stopping unnecessary end-of-the-year purchases
- Improving management through better use of new technology and development of professionals and other employees

Performance budgeting or, more commonly, separate ad hoc productivity studies, internal audits, and the hiring of program evaluators address the first concern. Edward A. Lehan advocates a budget format (see Chapter 5) that includes marginal analysis and allows decision makers to consider the optimum funding level, which will result in the greatest productivity. Using a line-item format, which assigns dollars to specific units, can address the second concern. Another strategy a budget analyst can often employ is to increase the audit and inspector general staffs. Greater organizational sophistication addresses the third concern. Formats, which include overhead comparative and longitudinal cost data, focus attention on that concern and are helpful. Good accounting practices address the fourth concern. An analyst can include in the budget and accounting data illustrations of the problem or present the data in a special analysis accompanying the budget document. A narrative, which discusses plans for the use of new technology and how the organization will develop staff, addresses the fifth concern. To upgrade technology, which should result in productivity improvements, the budget can single out new funds as a first-priority concern. Budget officers can include professional development (for example, training) as one of the fringe benefits of employment and thus make training less vulnerable to normal line-item budget cuts.

EXHIBIT 1–4 A New Process Matrix: Brokering, Monitoring, Steering

Progressive/Liberal versus Information Era Purposes of Budgeting

PURPOSE OF BUDGETING	PROGRESSIVE/LIBERAL ERA	INFORMATION ERA
Source of Direction	Planning	Strategic Brokering
Method of Direction	Management	Steering
Purpose of Direction	Control	Monitoring

Source: Thomas D. Lynch and Cynthia E. Lynch. "The Road to Entrepreneurial Budgeting." *Journal of Public Budgeting, Accounting, and Financial Management*, 9, 1 (Spring 1997), 161–180.

In summary, one can choose among budget formats in order to better highlight particular concerns. Such highlighting will not necessarily guarantee specific decisions, but it will channel the thought of policy makers.

In the information era, entrepreneurial budgeting is only beginning to appear, but this chapter makes some observations to explain this innovation. As the twenty-first century begins, Exhibit 1–4 points out the information age has shifted the very purpose of budgeting as organizations move away from a command and control to a more decentralized approach to policy making and management. In the information era, budgeting takes its direction not from planning but from strategic brokering. It is a process of continuously scanning the entire environment for options and possibilities that better fit the organization's objectives. This holistic approach means that decision makers always search for better partnerships and relationships to service the objectives of the whole. This approach brings the problem identifiers and problem solvers together with a continuing concern for mutual learning and discovery as they share insights, experiences, puzzles, and solutions.

The method of giving direction also shifts from management in the progressive/liberal (discussed in Chapter 3) era to steering in the information era. Now organizations increasingly are not vertical but horizontal, using much greater decentralization. To be successful, organizations must be more agile, adapting to the swift changes in direction so common in the information age. Policy makers use steering to set output and outcome objectives and parameters for managers and other employees so that they know what decision makers expect of them even if decision makers do not tell them or do not provide explicit guidance to what task the lower level employees must accomplish.

With entrepreneurial budgeting, the steering comes from four directions. First, it comes from the direct language of the appropriation acts and other legislation that policy makers tie to specific measurable performance indicators of desired program outputs and outcomes. Second, it is from the direct orders of the elected and properly appointed leaders of the government, but those orders must be consistent with the laws of the nation. Third, it is in the deep roots of the nation's culture. For example, in the United States, democracy is important and accountability runs ultimately to the people. There is a desired and actual linkage of accountability between elected and appointed officials and the public. According to the Government Accounting Standards Board (discussed in Chapter 7), government agencies entrusted with resources and authority for applying them have a responsibility to render a full accounting of their activities. This accountability should identify not only the objects for which policy makers devote the public resources but also the manner and effect of their application. A fourth direction for steering can be found in absolute values and ethics. One place to look for these ethical standards is in the code of ethics of such groups as the National Association of State Budget Officers (NASBO), the Government Finance Officers Association, the American Society for Public Administration, and other professional organizations. Another place to look is in the field of philosophy. Still another is the teachings of the religious community. A final place to look for ethical standards is our families. Given the stress placed on individual initiative and the empowerment given professionals in the information age, entrepreneurial government will have its greatest difficulty facing up to the challenge of values and ethics. It is hoped that extensive and continuing training in the use of conformance and virtue ethics can significantly help individuals meet those challenges.

In the information age, the direction in budgeting shifts from control to monitoring. Accurate feedback is essential in the information age, and given the advances in both hardware and software, remarkable feedback arrangements are now possible. The information age requires workers to self-adjust; and throughout the organization, policy makers and managers can use information to see if the parts and the whole organization adjust correctly to changing circumstances, including policy and management direction. Policy makers need not base the information they select on the rational model of decision making as the decision makers can request information based on the concerns of the major program stakeholders. Analysts can use such concerns to help define program outcomes and output information needs.

In the information age, monitoring is the process of providing accurate, reliable, and timely feedback to all appropriate parties. Exhibit 5–1 in Chapter 5 is the Holistic Systems Approach, which provides an explanation of the feedback monitoring system. The model conceptualizes budgeting as a system with a cause and effect relationship running from input, to process, to output, and finally to outcome. Analysts select performance measures for each element of the government program and define input as the resources used to fuel the program including workforce time, money, and leadership direction. Process is the daily work activities of the program. Outputs are the products and services of the program. Outcomes are the impacts of the program output on individuals and society.

Monitoring embraces all of the functions that Allen Schick describes as essential to all budgets. In addition, monitoring helps encourage self-accountability and provides the whole system with information necessary for readjusting strategic brokering decisions. The monitoring system ensures that all interested parties know what actually occurs in each program in terms of inputs, process, outputs, and outcomes. The public can hold policy makers and program managers accountable for the results of their decisions and performance through the democratic process. This approach to feedback can use the best practices of the program based on historical information to establish a standard for current best practices, which is called benchmarking. Hence program teams will have the data needed to strive toward organizational excellence.

A Different Age—A Different Mindset

About 1800, the French economist J. B. Say coined the term "entrepreneur." He said, "The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." In other words, the entrepreneur uses resources in new ways to maximize productivity and effectiveness. Increasingly, public leaders ask civil servants to operate governmental programs as entrepreneurs, including generating reasonable revenue for their programs. Public administrators can no longer fixate themselves on spending only. They are now being asked to think about the revenue side of the budget also. With entrepreneurial budgeting, public managers must develop new revenue sources for their activities. An entrepreneurial spirit in budgeting means changing the management and policy approach used in the public sector to get those institutions to think in entrepreneurial ways. In other words, public institutions must use their resources in new ways to heighten both their efficiency and their effectiveness. This is not saying the public sector should be run like a business, as there are fundamental differences between the public and the private sector. Rather, the focus should be on governing and delivering public services in a significantly more entrepreneurial manner.

The practice of entrepreneurial budgeting is in its early development stage, but this chapter describes its elements. It is a method of budgeting whereby policy and chief executives establish the total spending limits and policy priorities. They provide program managers with the flexibility and private sectorlike incentives to determine how best to spend their budgets and the means to accomplish the priorities. In exchange for the increased spending authority, policy makers hold managers accountable for results. Ideally, the approach seeks to create an organizational environment that is lean, decentralized, innovative, flexible, adaptive, efficient, and effective.

In traditional twentieth-century command and control budgeting, policy makers wait for department heads and program managers to submit requests to them. In entrepreneurial budgeting (EB), much greater delegation occurs. Expenditure limits and performance measures are often benchmarked against the previous or current year, thus providing a point of departure for steering decisions. Policy makers sometimes express their budgets in a formula that holds overall spending to a percent increase or decrease of the current year budget. The EB budgets are quite brief—sometimes only a few pages long and in sharp contrast to the progressive era control-oriented line-item budget that was commonly quite long. Like program and performance budgeting, this approach focuses policy making on the big policy issues instead of on the line items where there is a tendency on the part of policy makers to use those items to micromanage agencies.

Entrepreneurial budgeting is a fundamental, radical departure from the older command and control approach to budgeting. Entrepreneurial budgeting is part of a larger mind-set change that requires focused attention on transforming the bureaucratic behavior of agency heads or program directors into thinking about revenue generation and efficiency-oriented management. This new approach to budgeting requires administrators to focus on the program's bottom line performance rather than just spending the appropriated moneys before the end of the fiscal year. See Exhibit 1–5 for a demonstration of the entrepreneurial budget format.

EXHIBIT 1–5 Performance, Entrepreneurial, and Competitive Budgeting Format: Code Enforcement

Performance, Entrepreneurial, and Competitive Budgeting Format: Code Enforcement

REVENUE SUMMARY	PAST YEAR	CURRENT YEAR (CY)	BUDGET YEAR (BY)	BY-CY
Total Revenue Needed	$55,576	$59,100	$68,196	$9,096
Less:				
Plan Examination Fees	10,000	11,888	12,331	998
Inspection Fees	30,000	30,000	40,000	10,000
Tuition	11,000	2,879	15,526	2,647
TOTAL	51,000	54,767	67,857	13,645
Subsidy from the General Fund	4,576	4,333	339	(4,549)

	Past Year			Current Year		
PROGRAM STUDY	**OUTPUT**	**INPUT**	**UNIT COST**	**OUTPUT**	**INPUT**	**UNIT COST**
Plan Exams (Average)	111	$2,000	$18.02	132	$2,377.60	$15.01
Contractor One	110	2,000	18.18	134	2,377.60	17.74
Contractor Two	109	2,000	18.35	129	2,377.60	18.43
Contractor Three	107	2,000	18.59	132	2,377.60	18.01
Contractor Four	114	2,000	17.54	131	2,377.60	18.15
Contractor Five	115	2,000	17.39	134	2,377.60	17.74
Total Plan Exams	**555**	**10,000**	**18.02**	**660**	**11,888.00**	**17.17**
Inspections (Average)	2,000	6,915.2	3.46	3,753	6,866.60	1.83
Contractor One	2,050	6,915.2	3.37	3,750	6,866.60	1.83
Contractor Two	2,140	6,915.2	3.23	3,690	6,866.60	1.86
Contractor Three	1,930	6,615.2	3.49	3,860	6,866.60	1.78
Contractor Four	1,830	6,915.2	3.49	3,770	6,866.60	1.82
Contractor Five	2,000	6,915.2	3.78	3,695	6,866.60	1.86
Total Inspections	**10,000**	**34,576.0**	**3.46**	**18,765**	**34,933.00**	**1.86**
Education (Average)	1,176	2,200	1.89	2,260	2,575.80	1.14
Contractor One	1,100	2,200	2.00	2,250	2,575.80	1.14
Contractor Two	1,180	2,200	1.86	2,210	2,575.80	1.12
Contractor Three	1,200	2,200	1.83	2,100	2,575.80	1.23
Contractor Four	1,400	2,200	1.57	2,235	2,575.80	1.10
Contractor Five	1,000	2,200	2.20	2,290	2,575.80	1.12
Total Education	**5,880**	**11,000**	**1.89**	**11,300**	**12,879.00**	**1.14**
Total Code Enforcement	**16,435**	**55,576**	**3.38**	**30,725**	**59,100.00**	**1.92**

EXHIBIT 1–5 *(continued)*

	Budget Year			BY-CY		
PROGRAM STUDY	**OUTPUT**	**INPUT**	**UNIT COST**	**OUTPUT**	**INPUT**	**UNIT COST**
Plan Examinations (Average)	149	$2,466.2	16.55	17	$199.60	$11.74
Contractor One	147	2,466.2	16.78	18	199.60	11.09
Contractor Two	150	2,466.2	16.44	16	199.60	12.47
Contractor Three	149	2,466.2	16.55	17	199.60	11.74
Contractor Four	151	2,466.2	16.33	18	199.60	11.09
Contractor Five	148	2,466.2	16.66	16	199.60	12.47
Total Plan Exams	**745**	**12,331.0**	**16.55**	**85**	**998.00**	**11.74**
Inspections (Average)	3,874	8,067.8	2.08	121	1,090.2	9.01
Contractor One	3,870	8,067.8	2.08	121	1,090.2	9.01
Contractor Two	3,850	8,067.8	2.09	123	1,090.2	8.86
Contractor Three	3,900	8,067.8	2.07	125	1,090.2	8.72
Contractor Four	3,810	8,067.8	2.12	119	1,090.2	9.16
Contractor Five	3,990	8,067.8	2.06	117	1,090.2	9.32
Total Inspections	**19,370**	**40,339.0**	**2.08**	**605**	**5,451.0**	**9.01**
Education (Average)	2,465	3,105.2	1.26	343	529.4	1.54
Contractor One	2,465	3,105.2	1.26	345	529.4	1.58
Contractor Two	2,520	3,105.2	1.23	347	529.4	1.52
Contractor Three	2,410	3,105.2	1.29	338	529.4	1.57
Contractor Four	2,400	3,105.2	1.29	340	529.4	1.56
Contractor Five	2,530	3,105.2	1.23	345	529.4	1.53
Total Education	**12,325**	**15,526.0**	**1.26**	**1,715**	**2,647.0**	**1.54**
Total Code Enforcement	**32,440**	**68,196.0**	**2.10**	**2,405**	**9,096.0**	**3.78**

Source: Thomas D. Lynch and Cynthia E. Lynch. "The Road to Entrepreneurial Budgeting." *Journal of Public Budgeting, Accounting, and Financial Management*, 9, 1 (Spring 1997), 161–180.

This approach asks them, "How can one insert competitiveness into an essentially monopolistic activity we call government service?" The agency heads and program managers are at liberty to allocate and expend their money in the best possible way to achieve the policy mission mandates. In exchange for this liberty, however, each program must have clear mission statements and measurable goals using specific performance measures in order to hold agency heads and program managers accountable to policy makers. Given the pluralistic form of government in the United States, that may be impossible for some programs. One of the most distinguishing features of the entrepreneurial budget is the ability of the agency and, in some cases, even the program to keep a portion of both their unspent money and earned income.

Government can use market mechanisms and competition successfully. In the progressive/liberal era, budgeting used monopolistic public agencies to manage public functions. In contrast, entrepreneurial government adopts a competitive approach and, to the extent possible, it abandons the monopolistic approach. Government can apply a true competitive process or arrangement to almost all its services and functions. Phoenix, Arizona, provides an often-cited example of this kind of competition. The city decided to privatize its solid waste collection. Greater Phoenix divided itself into five zones. Over a five-year period, the city offered publicly a multiple year contract for each zone. The city of Phoenix safeguarded a true competitive process by ensuring that at least a minimum of three contractors provided service. The result was better service at a lower cost to the public.

Other budget offices can use this same entrepreneurial approach used by the city of Phoenix and can apply it to almost all government services and functions. As noted by Lawrence Martin, there are many public services that lend themselves easily to privatization or contracting out, including garbage collection, snow removal, food services, and vehicle towing. Joining the ranks of the newly privatized services are prisons, school systems, and homeless shelters. Policy makers usually use the concept of privatization to select and contract with a single provider, thus merely switching from a public to a private monopoly. If this situation occurs, the disadvantages of having a monopoly continue. Therefore, policy makers should use competition in selecting the service provider in order to create a competitive situation. An alternative to privatization that still achieves competition is to divide the function into competitive teams of government employees.

Ideally, the key to the successful competitive process is to always have at least three service providers for the same service. Policy makers can apply such competition to most services or functions that they can divide into reasonable areas, time periods, or activities. For example, they can contract out auditing on a functional basis to accounting firms and data collection companies. They can also contract out the work of the city prosecutor's office to law firms on a geographical or functional basis. Thus, the number of high-cost public employees can diminish radically or stay constant, depending on the entrepreneurial approach taken to incur savings and avoid high costs such as personnel benefits, office space, office supplies, equipment, and support services. By maintaining a minimum of three service providers for every service, the competitive market force ensures the best service for the best price. Where service areas are too small to divide, policy makers can partner service coalitions among several governments or agencies (for example, city, county, state, and federal) to create the necessary economy of scale.

Thinking Differently

The most difficult hurdle to overcome in implementing entrepreneurial budgeting is organizational resistance. For example, the bureaucratic cultural mind-set must accept the notion that government can and, in some cases, should make money. Creating a willingness to embrace such new ideas is a serious obstacle to this reform. In addition, these reforms may involve larger amounts of data, higher levels of computer skills, and greater analytical talent. Realistically, such talent and data are sometimes not available.

However, the real hurdle to entrepreneurial budgeting is the willingness to reinvent the analyst's approach to budgeting because the analyst must redefine the government's budget process. Entrepreneurial budgeting calls for deep, broad thinking including the probing into the comparative worth of goals and the relative benefits of programs. It also requires an accurate financial and performance information system in an environment in which the agency asking for money is often the one that supplies the unaudited performance information to the policy makers. Thus, the environment encourages potentially inaccurate and biased performance reporting, creating an unfortunate impediment to the success of entrepreneurial budgeting.

Entrepreneurial Attitudes

The critical points to remember with cultivating an entrepreneurial climate are the same as the ten points that define the principles of entrepreneurial thinking:

- Competition between service providers
- Using market mechanisms
- Energizing earning potential
- Empowering citizens
- Customer-driven satisfaction
- Mission-driven organizations
- Decentralized authority
- Proactive and preventative actions
- Measured performance
- Acting as a catalyst to other sectors

Together, these ten characteristics create a stream of thinking that encourages government to deliver high-quality public services. They also define the major obstacles in handicapping and even preventing successful reform. Empowering citizens by giving them input in the determination of services is part of being customer-driven and helps distinguish entrepreneurial from command and control government.

Empowering citizens helps define the quality of service parameters and equity issues within which the entrepreneurial spirit can work. Citizens help define the possibilities of strategic brokering. Citizens are a familiar part of the budget process as they propose and pass measures that affect the collection and disbursement of public funds. A good example is California's Proposition 13, which was a citizen-led initiative. Citizens can petition, demonstrate, agitate, sue, advertise, speak, write, publish, and vote.

However, longtime observers of citizen action and interest groups note that key to their success is access to information and knowledge. For proper strategic brokering to occur, all parties must access accurate and unbiased information. Therefore, in entrepreneurial budgeting, citizens have as great a stake, if not greater, than other decision makers in the quality and accuracy of budget-related documentation and data.

Energizing earning potential, creating competition between and among service providers, and allowing market mechanisms to work to determine unit costs liberate the program managers and agency heads to discover endless possibilities. However, such strategies also create potential public interest problems. Radical changes in organizations and management patterns may be necessary to achieve the organizational mission. Managers may decide to turn a profit in one program to fund a "lost leader" in another as an entrepreneurial strategy. Using user fees in new forms like franchising, licensing, and increasing investment return are but a few ways information age managers can become entrepreneurs.

However, each of these situations can raise ethical questions, which are likely to be the most serious problems of the information age. Answers to ethical questions about the distribution of services will not be easy in entrepreneurial budgeting as procedural responses to disparities in this approach to budgeting are often difficult to identify and manage. Empowered agencies can become nonresponsive to the overall public good in their quest to satisfy their customers rather than the larger public interest. The whole must be the orientation, but pressures to serve the parts over the whole will make servicing the whole quite difficult and could easily doom entrepreneurial budgeting to ultimate failure.

An underlying concern for entrepreneurial innovations is that analysts must determine the true cost of the service in order to know the break-even point. Analysis must answer: "How can the analyst determine the rate of return on an investment if the true cost of the investment is unknown? How can managers seek profits if they cannot determine true spending? How can an analyst determine an appropriate subsidy if the true cost of the service is a mystery, including the hard-to-calculate support services and leadership costs?" Decision makers must use analyses to answer the above questions but adequate answers may not be forthcoming. In Exhibit 1–5, the entrepreneurial budget format (1) exposes the amounts the general fund subsidizes the various programs, (2) relies on public pressure to do away with those subsidies where feasible, and thus (3) encourages agencies to search for new ways to make money from profitable services. With entrepreneurial budgeting, decision makers would greatly expand the use of enterprise and internal service funds in government accounting as discussed in more depth in Chapter 5.

Whether the budget format adopted for the jurisdiction is line-item, program, or entrepreneurial, the actual construction of the budget follows an established calendar and incorporates distinctive features that are part of the formal budget presentation.

BUILDING THE BUDGET

Budget Coordination

Exhibit 1–6 presents a slightly modified budget calendar once used by the city of Los Angeles. The calendar is important to the building of the budget because it establishes

EXHIBIT 1–6 Budget Calendar, Los Angeles

Date and Action to be completed

January 2 Mayor's Budget Policy letter requesting department heads to submit proposed work programs and budget estimates for ensuing fiscal year.

The budget office transmits with a letter the necessary forms and revisions to budget manual.

February 1 City Administrative Officer approves staff budget assignments, which are thereafter distributed to the staff.

February 15 Current level work programs and budget estimates received from department heads.

March 1 Service betterment budget estimates, if any, received from department heads.

April 10 City Administrative Officer reviews tentative Capital Improvement Expenditure Program and, upon approval, transmits it to the Public Works Priority Committee by April 10.

April 10 City Administrative Officer submits annual salary recommendations to City Council by April 10.

April 10–30 Hearings conducted by the Public Works Priority Committee to determine final priority of capital projects to be included in Capital Improvement Expenditure Program for ensuing year.

April 10–17 Preliminary budget hearings held by City Administrative Officer and Budget Coordinator with the Assistant Budget Coordinator and staff analyst for each department.

April 18–28 City Administrative Officer assisted by Budget Coordinator conducts departmental budget hearings with each department head. The staff analysts present their recommendations for that department budget and the City Administrative Officer gives each department head an opportunity to express his or her viewpoint.

May 1 Final date for submission by City Controller of the official estimates of revenue from all sources (other than general property taxes).

May 1 City Administrative Officer submits his or her official estimate of revenue from general property taxes.

May 1–5 Mayor, assisted by City Administrative Officer, conducts budget conferences with each department head. Attended by Council members, press, and taxpayer groups.

May 5–12 Final budget decisions made by Mayor assisted by City Administrative Officer.

May 12–31 Budget printed under supervision of City Administrative Officer.

June 11 Mayor submits proposed budget to City Council.

June 1–20 Council considers Mayor's veto of any item and may override Mayor's veto by two-thirds vote.

June 20–25 Mayor considers any modifications made by City Council and may veto such changes.

June 25–28 Council considers Mayor's veto of any item and may override Mayor's veto by two-thirds vote.

July 11 Beginning of fiscal year—budget takes effect.

Source: City of Los Angeles, 2002.

essential deadlines. Preparing a budget is a complex undertaking involving the whole government. The budget office achieves coordination by first deciding who must do what and when in the budget calendar. Its milestones include the following:

- distribution of instructions and forms;
- preparation of revenue estimates;
- return of completed budget request forms;
- completion of review and preliminary preparation work assighed to the central budget agency;
- completion of executive review and executive determination of final budget content;
- submission of the budget to the legislative body;
- completion of budget hearings;
- preliminary legislative determination of the content of the appropriation ordinance or budget;
- final action by the legislative body;
- executive approval or veto of the adopted budget and legislative action;
- completion of administrative actions, if any, needed to finalize budget appropriations; and
- the beginning of the fiscal year.

Program Financial Schedule

On a quarterly basis, the government's central budget office (OMB at the federal level) can require each department and agency to transmit a program financial schedule to it. This now fairly common budget requirement provides useful information allowing the central budget office to forecast expenditures better. The schedule categorizes the program by activity, method of finance, and fiscal year. Schedules commonly forecast five years beyond the budget year and sometimes include measures associated with the desirable application levels. OMB divides the projections into obligations and expenditures, thus providing useful information to economists and analysts concerned with the government's cash flow.

Analysts of the central budget office can use the data to estimate likely expenditure demands in preparing their budget call and in issuing executive guidance on budget preparation. Analysts should not view these forecasts as extremely accurate, but merely as an indication of likely financial patterns given existing policy. In each quarter, policy can change and other factors can evolve, making periodic updating essential.

The Budget Call

Once the central budget office prepares the preliminary estimates of expenditures and budget calendar, it proceeds preparing the budget call, which gives guidance to all the departments and agencies on how to go about preparing the budget. In many governments, including the federal government, the central budget office standardizes and provides guidance with official bulletins and circulars such as OMB Circular A-11. Agency budget officials need only refer to the established procedures and report forms. In addition to the standard operating procedures (SOP), each year the central budget office issues special guidance in the form of a "policy" letter, "allowance" letter, an executive policy message, or a statement on the budget. The federal government uses the "policy" letter to convey executive guidance and budget ceilings. The "allowance" letter comes later to inform federal agencies and departments of presidential or OMB decisions after the executive review process.

Budget Guidance

At the state and local level, the executive policy message or statement on the budget requests budget information from the agencies and establishes government-wide guidance on budget preparation. For example, the policy may be one of "hold-the-line," retrenchment, or expansion. Also, budget guidance announces programs and activities the agencies are to emphasize or de-emphasize.

Common subjects discussed in municipal statements include mandated increases, such as pension payments, salary increments, and debt service; raises or changes in taxes; requests to hold the line or identify inadequate services requiring expanded effort; plea for economy; explanation of local economic trends influencing the budget; and explanation of who must provide what information and when it is due (the budget calendar).

The detailed explanation call may be in the form of a budget instruction booklet, which provides guidance to the agencies and departments. The booklet contains the preliminary statement of executive budget policy; the table of contents, including listing of forms; the budget calendar; general instructions; and specific instructions for each form, including a sample form.

Budget office follow-through is essential, as the office must send instructions to the chief departmental officials. Each level of government will repackage the instructions and reissue them to lower levels. Eventually, the program managers receive the information requests. Meetings are useful at all levels to clarify and avoid possible confusion. The budget office should take special care to explain any changes in the procedures. Every official involved should understand the current financial status and likely trends, including personnel pay trends. The budget office always must emphasize the need for accurate, prompt, uniform replies. The Municipal Finance Officers Association publications, which this chapter cites in its references, explains the types of forms required.

The budget call always asks for a statement of government functions, activities, and work programs, or some narrative explaining what services citizens receive for their tax dollars. The general instructions asking for this budget explanation normally stress the desirability of brevity, clarity, and comprehensiveness. The explanation should reflect any program changes and even emphasize those changes. Each level in the executive branch uses the information, with the central budget and department levels focusing upon having a complete inventory of government activities keyed to specific units assigned to functions and activities. The descriptive detail is greater at the unit and agency level.

Agency call

Exhibit 1–7 is a sample agency call for estimates used in past federal budget training manuals. The call draws attention to the executive policy and the required forms the agency is to use. This call points out that the agency is still operating under a continuing resolution

EXHIBIT 1–7 Agency Call for Estimates (Sample)

August 1, 20PY

MEMORANDUM TO ASSIST DIRECTORS AND DIVISION HEADS

Subject: Instructions for Preparation of the Budget Estimates for FY 20BY

The 20BY budget submission to the Office of Management and Budget (OMB) will conform generally to the program and activity structure used for the 20CY budget estimate. The overall budget estimate will be prepared to reflect policy and program decisions which resulted from budget meetings held by the Director on the 20BY budget.

For purposes of the presentation to OMB, descriptive materials for the various programs should be brief statements covering the points outlined in the following format. It is expected that the submission to the Congress will be a more detailed budget.

Since no appropriation has been approved for the Agency for 20CY, the program estimates for that fiscal year will be the same as in the 20CY Budget to the Congress. Under item "C." of the instructions, supplementary data is being requested for the preparation of staff salary estimates and travel and other administrative expenses that are spread among the activities shown in the Salaries and Expenses appropriation.

Estimates and drafts of the justification material must be received by the Budget Office by August 20.

Comptroller

Source: Resource Conservation Agency, Washington, DC 20550.

for the current year, and it makes reference to instructions, which are particularly sensitive. The call states who should prepare the information (for example, assistant directors and division heads) and when the information is due (for example, August 20). Note the call only allows the agency twenty days to compile the information. Tight deadlines do occur in budgeting. If the budget office used zero-base budgeting, the instructions would require alternative decision packages and priority rankings as discussed in Chapter 3.

Preparing a budget at the agency level is a difficult task. The agency must assemble the material from the units, and the budget figures in particular must conform to agency policy set down by the agency head. The budget office normally calculates personnel statistics and cost information to compute the salaries and expense portion of the budget. If the agency has field units, then those units make the process more complex. Extreme accuracy and consistency are important because their absence denotes sloppy preparation and poor management.

The format of the agency budget requests varies greatly depending upon which budget reform happens to be in vogue. Examples of the possible formats are a detailed line-item presentation that permits greater control over the bureaucracy, a program budget that stresses policy issues and their budget implications, a performance budget that relates input to program accomplishments, a zero-base budget that focuses on marginal value and prioritization, or an incremental budget that stresses changes from past policy decisions.

The format selected is important, but a more important factor is the quality of professionalism devoted to preparing and reviewing the budget. Good professionalism calls for in-depth understanding of the agency and the related budget implications as explained in Chapter 6. Too often the budget office establishes the format due to some politically inspired budget reform movement instead of the central budget office or legislature tailoring the reforms to the need of the whole government and the agency budget office to the type of programs it administers.

BUDGET REVIEWS

Once the agency prepares the budget, the review process begins in the executive and legislative branches. The agency first meets with the department officials. They conduct a complete examination of the budget request, often including budget hearings. Departmental budget offices make decisions, and the agency budget office revises its requests based on department level decisions. Usually, the department recommends cuts, but it is a friendlier reviewer than the government's central budget office. The latter unit next reviews the agency or compiled departmental budget. The central budget office makes its recommendations to the chief executive, and sometimes departmental officials make direct last-minute appeals to the chief executive. Finally, after the final approval of the chief executive, the central budget office releases the chief executive's budget.

Budget Hearings

Usually, the agency submits its budget to the reviewing party, who carefully analyzes the submission. Chapter 5 describes how analysts conduct program and budget analyses. After the initial analysis of the submission and any other available material, the reviewing party, such as the department budget office, seeks additional information. Often, the budget office does this using formal written questions to the agency on specific inquiries, and sometimes the office makes more informal inquiries. The reviewers—budget examiners—prepare an analysis of the material and background material for a hearing. Departments need hearings because they enable the budget officer and the department executive to obtain a better understanding of an agency's request and reasons supporting that request.

Agencies also prepare for hearings. The depth of preparation varies, but the agency is wise to prepare carefully. Agency analysts can develop questions that the reviewers can ask and write responses to those questions so that the agency's leaders can become prepared for the hearing. The analyst can prepare a plan of action or strategy for the hearing, keeping in mind the factors discussed in the chapter on budget behavior (explained in Chapter 4).

The hearing itself is semiformal, with testimony rarely transcribed at the department or OMB level. The chief executive of the department often chairs the meeting to ask questions and gain an understanding of the agency budget requests. The principal department budget officer is present and plays an active role. Often, analysts prepare the department questions for the department chief executive in order to facilitate the process. Usually, the department hearing begins with the agency head presenting a statement and follows with department questions and agency answers. Regardless of the style used, the agency should explain its program, especially any program changes. The questioners should probe for elaboration on vague points in the presentation as well as potential political or management problems that surface from the department inquires. The hearing is only for information purposes, and this forum is inappropriate for tentative or final department decisions because more deliberation is necessary.

After the department completes the hearing, the department and agency budget analysts carefully review their notes and reconsider the submission and other material. Department analysts also review the guidance from the departmental chief executive. Often, the reviewers ask some additional questions by phone or in writing. The departmental budget office then prepares the final analysis and recommendations. The department budget officer then briefs the departmental chief executive on the budget. The style of briefing and of department budget decision making depends upon the chief executives as some delegate the entire responsibility to the budget office and others review the requests in detail. Usually, the pressure of time on the chief executive prevents long, detailed reviews of requests. A set of briefing information usually includes the following:

- summary of agency requests;
- recommendations of budget office;
- summary of the past year's chief executive's ideas relative to the budget;
- added suggestions by the budget office;
- preliminary budget (balanced for state and local government);
- and summary of policy issues.

A similar process is in place for hearings that take place between the department and a central budget office at the federal, state, and local levels. These budget hearings are the opportunity for the departments to defend their overall budget requests to the central budget office. These hearings take place after the departmental reviews and departmental hearings. In fact, the departments have another set of hearings to navigate when they must defend their budgets before members of the legislature. These legislative hearings are discussed later in this chapter.

Just as the budget calendar, program financial schedule, call letter, and hearings are generic features in the formative stages of the budget process, the actual preparation of the budget document has common components and accompanying reports.

Executive Budget Document

Budget Message

Budgets sent to legislatures and city councils are almost always accompanied by a budget message. The contents vary depending upon the political situation. Usually, the message includes a discussion of the financial condition of the government and a commentary on the current year operating budget, such as "the current budget is and will continue to be balanced." Messages mention revenue highlights, including revenue estimates, new revenue sources, and prospects on increased or new taxes. The message usually puts the government budget situation into perspective by citing major trends in finance, population changes, income level shifts, and so on. The message explains the principal elements of the proposed expenditures, including the rationale for any major program changes. The message mentions sensitive topics like mandatory increases as well as pay and fringe benefit policy and cites problem areas not addressed by the proposed budget, often with an explanation for that omission. At the local level, the message could also explain the relationship between the operating and capital budgeting. The message summarizes the highlights of the budget and blunts political criticism if possible.

The Budget Summary and Details

Budget Summary

A summary of the budget is essential. It should present consolidated summaries of revenues and appropriations. At the federal level, the budget summary presents various economics-related information. At the local level, the comparative statement of resources includes the following:

- cash surplus at the end of the first prior year,
- estimated receipts for the current year,
- anticipated expenditures during the current year,
- estimated cash surplus at the end of the current year,
- anticipated income during the budget year,
- proposed expenditures during the budget year, and
- projected cash surplus at the end of the budget year.

Analysts can include additional information in the local budget summary. They often include a statement on the tax rate and the assessed valuation of the property, including amount of land, improvements, and exemptions. A statement on other revenue sources is useful. They sometimes include the statement of appropriations by organization unit. Finally, they mention a summary of appropriation to various activities.

Budget Detail

After the summary material, the budget presents the detailed revenue and expenditure estimates. The budget officer groups the revenue estimates and presents them by comparing the budget year estimates with the prior year and current year. The budget officer adds appropriate footnotes to explain tax rates, tax base, and nonrecurring humps or valleys in the estimates. He or she explains all the assumptions used in preparing the revenue estimates. The detailed expenditure estimates often include the following:

- a narrative explanation of the functions of each department, suborganization unit, and activity, as well as a separate section for comments on the major changes proposed in each activity;
- a listing by department and suborganization unit of the objects of expenditure and by activity with an identification of proposed resource changes;
- a listing by position title for each unit and activity as well as any proposed changes; and
- an identification of the workload volume being undertaken in conjunction with each activity.

The public usually considers the executive budget document the budget, even though the legislature may make significant changes and in fact ultimately approves the document that the government agencies must follow (consistent with the legislature wielding its power of the purse). In some jurisdictions, the legislature passes and approves what is called the budget. Regardless of the stress given the executive budget document, it is extremely influential in the decision-making process. The document is the chief executive's plan. The legislature must make any modification to the executive budget with the awareness that any changes it makes are simply additions or deletions. Even in the federal government where legislators sometimes say the president's budget is dead on arrival, legislators still raise the questions of either "Where is the extra money going to come from?" or "What programs are going to be cut?" If one legislator suggests deletions to the executive budget, the easier but still difficult question raised is either "Where is the extra money going to be spent?" or "What taxes should be cut?" These are not simple questions, and the executive budget becomes the point of departure for legislative consideration of the budget.

The Federal Timetable: The Congressional Budget

Budget Milestones

In the earlier discussion of the budget calendar, it was noted that target dates were set for legislative action on the budget. For many governments, legislatures may consider the executive presumptuous to state target dates for the legislatures because of the separation of powers concept. In spite of that attitude, most budget people can estimate fairly accurately what the target dates are in the legislative budget process. Often the legislative body will state its own targets in its rules. The one forcing deadline is the beginning of the new fiscal year, by which, everyone agrees, the legislature should adopt the budget. The other deadlines fall between the time when the legislature receives the chief executive's budget and the beginning of the fiscal year.

In the federal government, the 1974 Budget Act as amended sets the congressional deadlines. These critical targets, coupled with serious prodding by the budget committees, encourage the congress to pass timely appropriation legislation, avoiding the pre-1974 practice of passing appropriation legislation three to six months into the current year. Unfortunately, Congress rarely meets its own targets, but both the targets and the active pushing of the budget committees are essential because they set a standard. Budget committees use social and political pressure to achieve responsible congressional action.

Congress often overlooks the seriousness of not passing timely appropriations. If Congress or any legislature does not pass appropriation legislation before the beginning of the current year, then the government cannot pay its employees or anyone else. Government operations cease to exist because no one has the authority to spend money. If Congress cannot reach a decision on appropriations prior to the beginning of the new fiscal year, then the legislative body passes a continuing resolution, which usually says that the government can continue to obligate and spend at last year's budget levels. The wording of the continuing resolution could also say the government can proceed at the lower levels of either last year's budget or the approved version of the House or Senate bill. The legislature usually frames the wording to set spending at the lowest amount the legislature is likely to pass. Managing a program under a continuing resolution is not an overwhelming problem for an agency unless the final legislation provides the manager with significantly less or more money than the amount in the continuing resolution. If Congress provides less money, the entire program may have to stop sometime in the middle of the current year. If Congress provides more money than the amount in the continuing resolution, the agency may have to obligate money recklessly in order to use it during the remainder of the current year. Either situation creates bad public management, which Congress can compound significantly by repeatedly using the continuing resolution year after year, as Congress usually does.

Congressional Budget Timetable

The congressional budget deliberative process starts with the presidential submission of the Current Services Budget. This budget alerts the Congress, especially the Congressional Budget Office (CBO), the budget committees, and the appropriation committees, that they should anticipate specific revenue, expenditure, and debt levels unless they change current policy. The Current Services Budget also provides a baseline of comparison against the later presidential budget.

The president of the United States sends the presidential budget, with the Current Services Budget, to the Congress fifteen days after Congress convenes in the new calendar year (for example, January 20). The budget customarily follows the State of the Union address to Congress. Presidents usually address Congress with a specific budget message, which the president makes with more details and specifics than those provided in the earlier State of the Union speech. The budget messages vary in content with a president's style, but the earlier discussion follows a common pattern, with the exception that the president places more emphasis on the national economy.

By February 1, the Congressional Budget Office must send its annual report to the budget committees. This report analyzes the economy, the Current Services Budget, and the president's budget. It suggests alternative levels of spending. Interestingly, the original legislation called for an April 1 submission, but the CBO realized this did not give the budget committees sufficient time to digest the CBO report, so mutual consent changed the date.

By March 15, the various committees, like appropriation, must submit their respective reports to the budget committees. This is a tentative financial guess by the committees on revenue, expenditure, and debt. The committees use the CBO report, the president's budget, and the detailed backup information supplied by the agencies to help them arrive at reasonable budget estimates.

One month later, on April 15, each budget committee reports its recommended budget resolution. This resolution represents the difficult compromise on the entire budget: the revenues, expenditures, and debt, as well as targets for each committee important to the budget process. One month later, on May 15, each chamber votes on its own resolution. An inability to reach a decision would destroy the process, and this sometimes occurs. Opposition can come from the conservatives for wanting to cut taxes more and from the liberals for spending too little money. The resolutions need not be the same in each chamber. May 15 is also the deadline for reporting all authorization bills. Congress doesn't want unanticipated expenses resulting from authorization legislation, so this deadline is essential.

The law requires within seven days after Labor Day in September that Congress concludes its final action on appropriation bills. This gives the appropriation committees several months to hold their hearings and make their difficult decisions. Next, the law requires by September 15 that Congress performs its final action on the second budget resolution. This permits last-minute changes due to any intervening circumstances since Congress passed the first resolution. Often, there may be no difference between the first and second resolution, but the law provides an opportunity for flexibility. By September 25, Congress should pass all final actions on budget reconciliation, thus providing a uniform consolidated congressional budget in each chamber.

Congress uses the remaining days in September to resolve differences between chambers, pass the legislation, accommodate a presidential veto, and reconcile or override the veto. Congress can do all of this if there is good cooperation among the chambers and the president. However, such cooperation is rare, the result being that delays occur and Congress must pass one or more continuing resolutions if the federal agencies are to have any funds to operate their programs. The federal fiscal year begins on October 1.

Legislative Considerations: Federal, State, and Local

At all levels of government, legislative bodies consider budgets and budget supporting material. This information is the key to proper legislative understanding of government operations. The considerations and the subsequent legislation permit the legislative oversight activity to exist. The purse strings are important. If legislators identify weaknesses, they often can reshape policy with their redrafted budget. The budget consideration in legislatures is a much more open process than is the executive review. Thus, legislative budget hearings serve as a forum for better community understanding of government as well as a device to permit citizens to express their views on budget matters. The time needed for legislative consideration of the budget varies with the size of government. Committees must have time to study the budget and related information, conduct hearings with public officials and possibly with interested citizens, discuss policy internally, and finally enact the legislation. Usually, sixty days is a reasonable time for smaller local governments.

Legislatures organizationally decide budgets based mostly on the size of their government. Larger governments have standing committees with highly competent professional staff support. Legislatures organize their committees and staffs on a partisan or a nonpartisan basis. Given the complexity of government and budgeting, most states and local governments hire professionally trained and experienced analysts. Exhibit 1–8 presents an illustrative page from a legislative analyst's review of a budget request. The reader will notice how a good analyst can focus attention upon the items, which should concern the legislator.

The legislative hearing is the standard method used to gather information and focus on potential problems of concern to the legislature. Careful analyses often isolate these problems for legislators. Legislatures conduct their hearings differently from executive budget hearings. With legislative hearings, staffs often create a transcript, and there are usually more friendly and sometimes hostile questions of the agency personnel, reflecting the fact that some legislators are friendly and others are hostile. Just as in the executive hearings, the agency is wise to prepare for the hearings with briefing books, to plan strategies and tactics, and to have rehearsals. The hearings are usually scheduled more at the convenience of the legislative committee than of the agency. Follow-up questions are common, as in executive hearings. Legislative committees do not make decisions at hearings, but rather at their closed-door "mark-up" sessions that follow the hearing.

If public participation is part of the hearing as is likely in most governments, then the committee normally takes care to give due notice of the time and place. Failure to give due notice or to notify all the likely interested "publics" can result in heated public criticism and the need to hold the hearing again, especially at the local level.

The legislatures usually have the power to modify the executive's budget, but that is not always the case in local government. Even if the power exists, modifications are difficult because all components of the budget are interdependent. If the legislature adjusts one figure upward, another figure must be cut if the budget is to balance. Exhibit 1–9 illustrates one city council's modifications.

The adoption of the budget can vary in terms of detail. Analysts should itemize the appropriations by department in order to fix responsibility. Some argue that analysts should itemize them by major object classification and others by program or activity. There is no one correct way. Object classification is good for greater control, especially when there is a low threshold of trust afforded the government's middle- and lower-level managers. Program classifications are good for situations that need management flexibility to operate effectively and efficiently. Detailed line-item budgets are extremely inflexible. The legislature should accompany the budget with—or make part of the budget—a formal resolution on the final official revenue estimate used by the legislature at the time of the budget's adoption.

EXHIBIT 1–8 Legislative Analyst's Review Sheet, Department of Hospitals and Institutions, BY Budget Request

NEWARK CITY HOSPITAL

The BY Budget request of $6,469,185.00 for the Newark City Hospital shows an increase of $229,131.67 over CY Operations as follows:

BY Budget			
Appropriations	$6,453,424.00	CY Request	$6,469,185.00
CY Emergencies	115,149.96		
	$6,568,573.96		
Less Cancellations	328,520.63		
Net CY Operations	$6,240,053.33	CY Operations	$6,240,053.33
		Increase	$ 229,131.67

The request for 1,270 employees is 25 less than the 1,295 in CY.

PAGE and LINE		
4		There were 29,669 less patient days in CY than in CY-1 resulting from a drop in admissions from 18,760 in CY-1 to 15,460 in CY, a net drop of 3,300.
5		The average day's stay per patient dropped from 9.5 to 9.1.
		The average daily admissions dropped from 60.9 in CY-1 to 56.4 in CY, a net drop of 4.5 admissions. The average daily census of patients in the hospital dropped from 575.6 in CY-1 to 549.9 in CY, a drop of 25.7 in CY.
6	1 & 2	What is the status of the Medical Director and the Assistant Medical Director?
6	3	Will the Comptroller's position be filled? Is the present incumbent Joseph Rubino to remain on the hospital payroll?
10	12A	Has the hospital filled this position?
19	37	Is this position going to remain in the hospital?
25		New employee, Director of Surgery. In accordance with policy followed in similar cases the appropriation for this employee will be deleted because there is no valid ordinance supporting it. The legislature will make appropriation after adoption of the ordinance and before final adoption of the budget by amending the approved budget.
41	103A	Bernice Lippe replaced the Director of Nurses on January 14, BY, at the minimum salary of $47,500.00. Her salary as Assistant Director of Nursing Education on Page 112 was $46,460. The legislature should delete one pay from the Director of Nurses' appropriation and one pay remaining in the Assistant Director of Nursing Education's line on Page 112.

Source: Modified New Jersey Budget.

Legislative Adoption

The ultimate budget is the legislative adoption version, which a legislature can make as several appropriation laws (the federal government's approach), one massive, complex appropriation law (used by many states), or a relatively brief text (used by some

EXHIBIT 1–9 Schedule Setting Forth Changes Made by City Council in City Manager's Original Estimate of BY Budget

	MANAGER'S ESTIMATE	REVISED AMOUNT
Office of City Manager	$146,135	$138,246
Reason for Change—Reduced cost of annual report, reduction of .5 man year administrative analyst. Add cost of salary increase.		
Secretary-Treasurer	166,844	169,484
Reason for change—Add cost of salary increase.		
Accounting	77,686	74,751
Reason for change—Delete one accountant position. Add cost of salary increase.		
Data Processing	179,470	181,303
Reason for change—Add cost of salary increase.		
Purchasing	30,867	31,539
Reason for change—Add cost of salary increase.		
Tax	400,390	408,861
Reason for change—Add cost of salary increase.		
Legal	99,472	101,636
Reason for change—Add cost of salary increase.		
Retirement Administrator	22,731	23,043
Reason for change—Add cost of salary increase.		
Personnel and Civil Service	29,703	50,349
Reason for change—Add cost of salary increase. Add cost of salary and wage survey.		

local governments). Sometimes the budget submitted to the legislative body includes the recommended act or ordinance. Often budget ordinances are complex because of state legal requirements. In some jurisdictions, the resolution includes tax rates, purchasing authority, personnel action authorizations, and transfer procedures. Some use broad legislative grants of authority, and others have extensive line-item detail for each government unit.

What is clear in this legislative phase is that the budget is indeed a political document. Politics pervades the budget process throughout its formulation, presentation, analysis, legislative review, and execution. Oftentimes during legislative enactment, interest groups or the general public criticizes lawmakers for pursuing pork-barrel projects or adding "member-items" in the budget. Yet, because the legislature may be prone to seek cuts in the executive budget for the purposes of funding its legislative projects, this doesn't necessarily mean the rigor or the review and analysis is any less important than that of the executive and central budget office. What this means is that politics influences spending decisions as reflected in the budget. Moreover, this is the essence of both public budgeting in America and democracy in action.

At the local level, the budget ordinance often acknowledges receipt of an executive budget from the county manager, recounts earlier publication and a public hearing, summarizes appropriation by fund and category, estimates revenue, levels property taxes, authorizes administrative transfers of appropriations within a fund, and approves and reapproves funds for ongoing capital improvements.

REVIEW QUESTIONS

1. Explain how budget formats channel thought. Explain how formats can direct thought to and highlight general policy matters, budget balancing issues, and improvement of the quality of government management.
2. Compare and contrast twentieth-century budgeting with twenty-first-century budgeting.
3. Why are the program financial schedules and budget calendar important preliminary steps to the budget call?
4. What budget instructions are important in building a budget? Why?
5. Contrast executive and legislative hearings.
6. Why is the central budget office "powerful"?
7. What information should be in an executive budget? Why?
8. Explain the significance of the congressional budget timetable. What procedures or legal changes can Congress establish that would get it to pass a budget before the beginning of the fiscal year?
9. Contrast the virtues of a simple versus a comprehensive budget ordinance or law.
10. In the final analysis, who dominates the budget process, the legislature or the executive?

REFERENCES

ARONSON, J. RICHARD, and ELI SCHWARTZ (eds.). *Management Policies in Local Government Finance.* Washington, DC: International City Management Association, 1975.

BROOME, CHERYLE A. "Performance-Based Budgeting Government Models: Building A Track Record." *Public Budgeting and Finance,* 15, 4 (Winter 1995), 3–17.

BURKHEAD, JESSE. *Government Budgeting.* New York: Wiley, 1956.

COTHAN, DAN A. "Entrepreneurial Budgeting: An Emerging Form." *Public Administration Review,* 53, 5 (September/October 1993), 445–454.

DRUCKER, PETER F. *Innovation and Entrepreneurship.* New York: Harper, 1985.

———. *Managing for the Future, the 1990s and Beyond.* New York: Truman Taley Books/Plume, 1989.

———. *The New Realities.* New York: Harper & Row, 1989.

FISHER, LOUIS. *Presidential Spending Power.* Princeton, NJ: Princeton University Press, 1975.

GABLER, T., and A. OSBORNE. "Entrepreneurial Government Makes Good Sense." *The Public Manager,* 21, 3 (Fall 1992), 4–6.

Government Accounting Standards Board. "Government Accounting Series Concept Statement Number 2 on Concepts Related to Service Efforts and Accomplishments Reporting." Norwalk, CT., 1995.

GRIZZLE, GLORIA A. "Does Budget Format Really Govern the Actions of Budgetmakers?" *Public Budgeting and Finance,* 6, 1 (Spring 1986), 60–70.

HAMMER, MICHAEL, and JAMES CHAMPY. *Reengineering the Corporation: A Manifesto for Business Revolution.* New York: Harper Business, 1992.

HAQUE, AKHLAQUE. "Edmund Burke: The Role of Public Administration in a Constitutional Order." In Thomas D. Lynch and Todd Dicker (eds.), *The Handbook of Organization Theory and Management.* New York: Marcel Dekker, 1998.

JASPER, HERBERT N. "A Congressional Budget: Will It Work This Time?" *The Bureaucrat,* 3, 4 (January 1975), 429–443.

JONES, L. R. "Aaron Wildavsky: A Man and Scholar for All Seasons." *Public Administration Review,* 55, 1 (January/February 1995), 3–16.

KING, MERRILLS. "The Entrepreneurial Budgeting System of Texas Parks and Wildlife Department." Paper presented at the American Society for Public Administration, San Antonio, Texas, 1995.

LEHAN, EDWARD A. *Simplified Governmental Budgeting.* Chicago: Municipal Finance Officers Association, 1982.

LYNCH, THOMAS D. "Budget System Approach." *Public Administration Quarterly,* 13, 3 (Fall 1989), 321–341.

———. *Policy Analysis in Public Policymaking.* Lexington, MA: Lexington Books, 1975.

———. *Public Budgeting in America.* 5th ed. Englewood Cliffs, NJ: Prentice Hall, 1995.

LYNCH, THOMAS D., and CYNTHIA E. LYNCH. "The Road to Entrepreneurial Budgeting." *Journal of Public Budgeting, Accounting, and Financial Management,* 9, 1 (Spring 1997), 161–180.

MARTIN, LAWRENCE. "Contracting Out: A Comparative Analysis of Local Government Practices." In Thomas D. Lynch and Lawrence Martin (eds.), *Handbook of Comparative Public Budgeting and Financial Management.* New York: Marcel Dekker, 1993, 225–239.

———. "Jeremy Bentham: Utilitarianism, Public Policy and the Adminsitrative State." In Thomas D. Lynch and Todd Dicker (eds.), *The Handbook of Organization Theory and Management.* New York: Marcel Dekker, 1998.

MILLER, GIRARD (compiler). *Effective Budgetary Presentations: The Cutting Edge.* Chicago: Municipal Finance Officers Association, 1982.

MOAK, LENNOX L., and KATHRYN W. KILLIAN. *Operating Budget Manual.* Chicago: Municipal Finance Officers Association, 1963.

Municipal Performance Report, 1, 4 (August 1974).

NAISBITT, JOHN. *Global Paradox.* New York: Avon Books, 1994.

OSBORNE, DAVID, and TED GABLER. *Reinventing Government.* New York: Plume, 1993.

O'TOOLE, DANIEL E., and BRIAN STIPAK. "Patterns and Trends in Budget Format Innovation Among Local Governments." *Public Budgeting and Financial Management,* 4, 2 (1992), 287–310.

O'TOOLE, DANIEL E., JAMES MARSHALL, and TIMOTHY GREWE. "Current Local Government Budgeting Practices." *Government Finance Review,* 12, 6 (December 1996), 25–28.

PETTIJOHN, C. D., and G. A. GRIZZLE. "Structural Budget Reform: Does it Affect Budget Deliberations?" *Journal of Public Budgeting, Accounting, and Financial Management,* 9, 1 (Spring 1997), 26–45.

REICH, ROBERT. *The Work of Nations.* New York: Vintage Books, 1992.

RICKARDS, ROBERT C. "City and County Budget Presentations in Texas: The Current State of the Art." *Public Budgeting and Finance,* 10, 2 (Summer 1990), 72–87.

SAY, JEAN BAPTISTE. *A Treatise on Political Economy: or the Production, Distribution, and Consumption of Wealth,* C. R. Prinsep and Clement C. Biddle, trans. New York: Augustus M. Kelley, [1880] 1971, p. 111.

SCHICK, ALLEN. "The Road to PPB: The Stages of Budget Reform." *Public Administration Review,* 26 (December 1966), 243–258. Reprinted in Jay M. Shafritz and Albert C. Hyde, *Classics of Public Administration.* Oak Park, IL: Moore Publishing Company, Inc., 1978, 249–267.

SMITH, LINDA L. "The Congressional Budget Process—Why It Worked This Time." *The Bureaucrat,* 6, 1 (1977), 88–111.

U.S. CIVIL SERVICE COMMISSION, Bureau of Training, The Management Science Training Center. *Budget Formulation.* 1976.

WILDAVSKY, AARON. *The Politics of the Budgetary Process.* Boston: Little, Brown, 1964.